



STATE OF UTAH  
NATURAL RESOURCES  
Oil, Gas & Mining

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m/045/017

August 20, 1985

TO: Board of Oil, Gas and Mining

FROM: Pamela Grubaugh-Littig, Reclamation Engineer *pgl*

RE: Barrick Resources Corporation and Barrick Mercur Gold Mines, Inc., Self Bonding and Indemnity Agreement; Financial Qualifications, Mercur Mine, ACT/045/013, Tooele County, Utah

Barrick Resources Corporation recently acquired the Mercur Mine from Getty Gold Mine Company. Barrick requests replacing the Getty Mined Land Reclamation Contract with a Self Bonding and Indemnity Agreement.

Attached please find the proposed Self Bonding and Indemnity Agreement entered into by Barrick Resources Corporation (parent), Barrick Mercur Gold Mines, Inc., and the Board of Oil, Gas and Mining.

The financial criteria used by the Division to determine if a company can qualify for self bonding is the recently approved Office of Surface Mining (OSM) bonding regulations (Section 800.23, attached). A company must meet one of the criteria under 800.23(B)(3). Barrick Resources Corporation qualified under Part 3 of 800.23(B)(3) - see financial qualification sheet attached. (Source: 1984 Annual Report - Barrick Resources Corporation).

Barrick Resources Corporation is a Canadian corporation. The Division has received annual reports for the years 1979-1984 as well as Form 20-F (equivalent to the 10-K that is submitted to the Securities and Exchange Commission).

Approval of the Self Bonding and Indemnity Agreement for "Barrick" is requested.

btb  
Attachments  
9075R-30



(August 1985)

NONCOAL

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

SELF BONDING AND INDEMNITY AGREEMENT

This Self Bonding and Indemnity Agreement (hereinafter referred to as "Agreement") entered into by Barrick Resources Corporation and Barrick Mercur Gold Mines Inc. (hereinafter jointly referred to as "Barrick") and the state of Utah, Department of Natural Resources, Board of Oil, Gas and Mining (hereinafter referred to as "Board"),

WITNESSETH

WHEREAS, Barrick Mercur Gold Mines Inc., has obtained Permit No. ACT/045/013 from the Division of Oil, Gas and Mining to operate the Mercur Mine in Tooele County, Utah as an open pit gold mine under the Mined Land Reclamation Act, Utah Code Annotated, 40-8-1 et seq, 1953, as amended ("Act") and implementing regulations; on the premises specifically described in EXHIBIT A; and

WHEREAS, Barrick wishes to obtain a bond to operate an open pit gold mine under Permit No. ACT/045/013 under 40-8-14(3); and

WHEREAS, Barrick has designated David R. Bird, Esq., Parsons, Behle & Latimer, 185 South State Street, Suite 700, Salt Lake City, Utah 84147-0898 as its agent for Service of Process in the state of Utah, and

WHEREAS, Barrick Resources Corporation has been in continuous operation as a business entity for the last five years; and

WHEREAS, Barrick Resources Corporation meets the financial criteria for self bonding (as shown in the attached financial sheet); and

WHEREAS, Barrick Resources Corporation has submitted to the Division of Oil, Gas and Mining and Board financial statements which are accompanied by an audit opinion prepared by Coopers & Lybrand, Accountants.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, Barrick does hereby agree to be held and bonds to the Board for the sum of \$4,197,593.00 (1994 dollars) for the timely performance of reclamation responsibilities for the Mercur Mine, Permit No. ACT/045/013 in lawful money of the United States. By the submission of this Agreement, Barrick will and truly binds itself, its successors and assigns, jointly and severally by these presents.

The conditions of the above obligations are as follows:

1. Barrick shall perform all duties and fulfill all requirements applicable to reclamation as set forth in the Act, the regulations adopted pursuant to the Act and the conditions of the permit to conduct open pit mining operations under Permit No. ACT/045/013 issued by the Division.
2. The liability of Barrick under the Agreement is conditioned upon successful reclamation of the permit area as provided in the reclamation plan for Permit No. ACT/045/013 for a

period of time and in the manner specified in the Act, regulations adopted pursuant thereto, and the conditions set forth in Permit No. ACT/045/013 issued by the Division. At no time shall the liability or responsibility of Barrick hereunder exceed the sum of \$4,197,153.00 (1994 dollars). Provided, however, that the Board may adjust the amount of the liability hereunder as provided in Section 6 hereof.

3. Barrick does hereby agree to indemnify and hold the Board harmless from any claim, demand, liability costs, charge or suit brought by a third party, as a result of Barrick's failure to abide by the terms and conditions of the Reclamation Plan as set forth in the mining Permit No. ACT/045/013 and from any failure to comply with the terms of the Agreement.
4. The Board shall give Barrick, or its designated agent herein, notice of any claim and any legal proceedings within the scope of the indemnity set forth at Section 3.
5. Upon successful completion of part or all of the obligations secured hereby, Barrick may petition the Board for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division of Oil, Gas and Mining shall timely conduct an inspection to ascertain whether the duties and obligations of Barrick under the Act, the regulations adopted pursuant thereto, and Permit

No. ACT/045/013 have been fulfilled. If such duties and obligations have been fulfilled, the Board shall release Barrick from part or all of its obligations under this Agreement and shall file a notice of such release in the property records of Tooele County, Utah.

6. This Agreement shall be reviewed periodically by the Division, or reviewed upon petition by Barrick in accordance with the Act and implementing regulations and the amount of liability under this Agreement may be adjusted where it is clearly established that the cost of future reclamation has materially changed.
7. This Agreement may be terminated upon 90 days prior written notice to the Board if terminated by Barrick or upon 90 days prior written notice to Barrick if terminated by the Board. Upon such written notification, Barrick will have 90 days to obtain an alternate form of bond to secure reclamation obligations for Permit No. ACT/045/013 in the same amount as stated herein and amendments thereto.

SO AGREED this \_\_\_\_\_ day of \_\_\_\_\_,  
19\_\_\_\_.

Barrick Resources Corporation

\_\_\_\_\_  
Date

By \_\_\_\_\_  
Corporate Officer - Position

Barrick Mercur Gold Mines Inc.

\_\_\_\_\_  
Date

By \_\_\_\_\_  
Corporate Officer - Position

Chairman  
Board of Oil, Gas and Mining

\_\_\_\_\_  
Date

By \_\_\_\_\_  
Gregory P. Williams

APPROVED AS TO FORM:

\_\_\_\_\_  
Assistant Attorney General

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss:

On the \_\_\_\_ day of \_\_\_\_\_, 198\_\_, personally appeared  
before me \_\_\_\_\_ and \_\_\_\_\_ who  
being by me duly sworn did say that he/she, the said \_\_\_\_\_  
\_\_\_\_\_ is the \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ and said instrument was signed in behalf  
of said corporation by authority of its bylaws or a resolution of  
its board of directors and said \_\_\_\_\_ duly  
acknowledged to me that said corporation executed the same.

\_\_\_\_\_  
Notary Public  
Residing at: \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss:

On the \_\_\_\_ day of \_\_\_\_\_, 198\_\_, personally appeared before me Gregory P. Williams, Esq., who being by me duly sworn did say for him, that he, the said Gregory P. Williams is the Chairman of the Board of Oil, Gas and Mining, Department of Natural Resources, state of Utah, and he duly acknowledged to me that said Board executed the foregoing document by authority of law on behalf of the state of Utah.

\_\_\_\_\_  
Notary Public  
Residing at: \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_  
  
0441R



NONCOAL  
(August 1985)

Mine Name Mercur Mine  
Permit No. ACT/045/013  
Date August 21, 1985  
Checked By PGL & H. Black

SELF BONDING QUALIFICATION SHEET

(Barrick Resources Corporation Meets Criteria #3)

Applicant required to meet one of the following criteria:

1. Current rating for most recent bond issuance ("A" or higher) (Moody's Investor Service or Standard and Poor's Corporation)

NA

or

2.

- A. Tangible Net Worth = (at least \$10 million) (Net worth minus intangibles [Goodwill and rights to patents or royalties])

NA

- B. Total Liabilities/Net Worth = Obligations to transfer to other assets or provide services to other entities/Total assets minus total liabilities and is equivalent to owner's equity (2.5 times or less).

NA

- C. Current Assets/Current Liabilities = Cash or other assets or resources which are reasonably expected to be converted to cash or sold or consumed within one year/Obligations which are reasonably expected to be paid or liquidated within one year (1.2 times or greater).

NA

Reference: \_\_\_\_\_

or

3.

- A. Fixed assets in the United States (at least \$20 million) =

Coal Properties--

\$20.8 million

Gold Property--

\$31 million

Corporation or the Federal Savings and Loan Insurance Corporation.

E.

1. The estimated bond value of all collateral posted as assurance under this section shall be subject to a margin which is the ratio of bond value to market values, as determined by the Division. The margin shall reflect legal and liquidation fees, as well as value depreciation, marketability and fluctuations which might affect the net cash available to the Division to complete reclamation.
2. The bond value of collateral may be evaluated at any time, but it shall be evaluated as part of the permit renewal and, if necessary, the performance bond amount increased or decreased. In no case shall the bond value of collateral exceed the market value.

F. Persons with an interest in collateral posted as a bond, and who desire notification of actions pursuant to the bond, shall request the notification in writing from the Division at the time collateral is offered.

800.23 Self-Bonding

A. Definitions. For the purposes of this section only:

Current Assets means cash or other assets or resources which are reasonably expected to be converted to cash or sold or consumed within one year or within the normal operating cycle of the business.

Current Liabilities means obligations which are reasonably expected to be paid or liquidated within one year or within the normal operating cycle of the business.

Fixed Assets means plants and equipment, but does not include land or coal in place.

Liabilities means obligations to transfer assets or provide services to other entities in the future as a result of past transactions.

Net Worth means total assets minus total liabilities and is equivalent to owners' equity.

Parent Corporation means corporation which owns or controls the applicant.

Tangible Net Worth means net worth minus intangibles such as goodwill and rights to patents or royalties.

B. The Division may accept a self bond from an applicant for a permit if all of the following conditions are met by the applicant or its parent corporation guarantor:

1. The applicant designates a suitable agent, resident within the State of Utah, to receive service of process. [in the State where the proposed surface coal mining operation is to be conducted]

2. The applicant has been in continuous operation as a business entity for a period of not less than [5] five years. Continuous operation shall mean that business was conducted over a period of [5] five years immediately preceding the time of application.

(i) The Division may allow a joint venture or syndicate with less than [5] five years of continuous operation to qualify under this requirement if each member of the joint venture or syndicate has been in continuous operation for at least [5] five years immediately preceding the time of application.

(ii) When calculating the period of continuous operation, the Division may exclude past periods of interruption to the operation of the business entity that were beyond the applicant's control and that do not affect the applicant's likelihood of remaining in business during the proposed surface coal mining and reclamation operations.

3. The applicant submits financial information in sufficient detail to show that the applicant meets one of the following criteria:

(i) the applicant has a current rating for its most recent bond issuance of "A" or higher as issued by either Moody's Investor Service or Standard and Poor's Corporation;

(ii) the applicant has a tangible net worth of at least \$10 million, a ratio of total liabilities to net worth of 2.5 times or less and a ratio of current assets to current liabilities to 1.2 times or greater; or

(iii) the applicant's fixed assets in the United States total at least \$20 million and the applicant has a ratio of total liabilities to net worth of 2.5 times

or less and a ratio of current assets to current liabilities of 1.2 times or greater.

4. The applicant submits:

- (i) financial statements for the most recently completed fiscal year accompanied by a report prepared by an independent certified public accountant in conformity with generally accepted accounting principles and containing the accountant's audit opinion or review opinion of the financial statements with no adverse opinion;
- (ii) unaudited financial statements for completed quarters in the current fiscal year; and
- (iii) additional unaudited information as requested by the Division.

C. The Division may accept a written guarantee for an applicant's self bond from a parent corporation guarantor, if the guarantor meets the conditions of paragraphs (b)(1) through (b)(4) of this section as if it were the applicant. Such a written guarantee shall be referred to as a "corporate guarantee." The terms of the corporate guarantee shall provide for the following:

- 1. If the applicant fails to complete the reclamation plan, the guarantor shall do so or the guarantor shall be liable under the indemnity agreement to provide funds to the [regulatory authority] Division sufficient to complete the reclamation plan, but not to exceed the bond amount.
- 2. The corporate guarantee shall remain in force unless the guarantor sends notice of cancellation by certified mail to the applicant and to the Division at least 90 days in advance of the cancellation date, and the Division accepts the cancellation.
- 3. The cancellation may be accepted by the Division if the applicant obtains suitable replacement bond before the cancellation date or if the lands for which the self bond, or portion thereof, was accepted have not been disturbed.

D. For the Division to accept an applicant's self bond, the total amount of the outstanding and proposed self bonds of the applicant for surface coal mining and reclamation operations shall not exceed 25 percent of the applicant's tangible net worth in the United States. For the Division to accept a corporate guarantee, the total amount of the parent corporation guarantor's present and proposed self bonds and guaranteed self



bonds for surface coal mining and reclamation operations shall not exceed 25 percent of the guarantor's tangible net worth in the United States.

E. If the Division accepts an applicant's self bond, an indemnity agreement shall be submitted subject to the following requirements:

1. The indemnity agreement shall be executed by all persons and parties who are to be bound by it, including the parent corporation guarantor, and shall bind each jointly and severally.
2. Corporations applying for a self bond or parent corporations guaranteeing a subsidiary's self bond shall submit an indemnity agreement signed by two corporate officers who are authorized to bind the corporation. A copy of such authorization shall be provided to the Division.
3. If the applicant is a partnership, joint venture or syndicate, the agreement shall bind each partner or party who has a beneficial interest, directly or indirectly, in the applicant.
4. [Pursuant to Section 800.50,] The applicant or parent corporation guarantor shall be required to complete the approved reclamation plan for the lands in default or to pay to the Division an amount necessary to complete the approved reclamation plan, not to exceed the bond amount.
- [5. Failure to reclaim the subject lands in the manner approved and within the time provided for in the reclamation plan is considered a judgment by confession pursuant to Section 78-22-3, Utah Code Annotated (UCA) (1953, as amended).]
5. The indemnity agreement when under forfeiture shall operate as a judgment against those parties liable under the indemnity agreement.

F. The Division may require self-bonded applicants and parent guarantors to submit an update of the information required under paragraphs (b)(3) and (b)(4) of this section within 90 days after the close of each fiscal year following the issuance of the self bond or corporate guarantee.

G. If at any time during the period when a self bond is posted, the financial conditions of the applicant or the parent corporation guarantor change so that the criteria of paragraphs (b)(3) and (d) of this section are not satisfied, the permittee shall notify the Division immediately and shall within 90 days post an alternate form of bond in the same amount as the self bond. Should the permittee fail to post an adequate substitute bond, the provisions of Section 800.16(e) shall apply.